



Hong Leong Industries

A Member of the Hong Leong Group Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2010

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Revenue	764,930	620,953	2,871,778	2,679,110
Cost of sales	(641,312)	(538,208)	(2,411,886)	(2,337,744)
Gross profit	123,618	82,745	459,892	341,366
Operating expenses	(46,686)	(51,645)	(169,331)	(175,661)
Other operating expense	(48,698)	(4,652)	(36,559)	(83,112)
Operating profit	28,234	26,448	254,002	82,593
Interest income	573	(1,262)	3,212	4,449
Finance costs	(6,919)	(5,625)	(24,546)	(34,198)
Share of profit of associated companies	16,278	9,853	54,256	35,866
Profit before taxation	38,166	29,414	286,924	88,710
Taxation	43,671	389	6,632	(27,202)
Profit for the period	81,837	29,803	293,556	61,508
Attributable to:				
Equity holders of the parent	50,921	28,110	194,278	75,062
Minority interests	30,916	1,693	99,278	(13,554)
Profit for the period	81,837	29,803	293,556	61,508
Earnings per ordinary share (sen) :-				
(a) Basic	19.47	10.75	74.27	28.69
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/06/2010 RM'000	30/06/2009 RM'000
Non-current assets		
Property, plant and equipment	1,283,701	1,300,242
Prepaid lease payments	35,291	36,977
Investments in associated companies	382,946	387,084
Other investments	60	56
Intangible assets	447,328	482,732
Deferred tax assets	-	877
	<u>2,149,326</u>	<u>2,207,968</u>
Current assets		
Inventories	190,225	177,236
Trade and other receivables	516,685	425,983
Tax recoverable	11,529	17,148
Assets classified as held for sale	9,342	-
Short term investments	-	4
Cash and cash equivalents	429,160	261,008
	<u>1,156,941</u>	<u>881,379</u>
TOTAL ASSETS	<u>3,306,267</u>	<u>3,089,347</u>
Equity attributable to equity holders of the parent		
Share capital	140,573	140,573
Reserves	1,311,096	1,191,539
Treasury shares - at cost	(63,318)	(63,309)
	<u>1,388,351</u>	<u>1,268,803</u>
Minority interests	638,094	590,410
TOTAL EQUITY	<u>2,026,445</u>	<u>1,859,213</u>
Non-current liabilities		
Borrowings (unsecured)	371,768	377,117
Deferred tax liabilities	23,043	65,198
Retirement benefits	12,967	12,369
	<u>407,778</u>	<u>454,684</u>
Current liabilities		
Trade and other payables	469,788	350,775
Borrowings (unsecured)	387,504	413,207
Taxation	14,752	11,468
	<u>872,044</u>	<u>775,450</u>
TOTAL LIABILITIES	<u>1,279,822</u>	<u>1,230,134</u>
TOTAL EQUITY AND LIABILITIES	<u>3,306,267</u>	<u>3,089,347</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	5.31	4.85

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

**HONG LEONG INDUSTRIES BERHAD (5486-P)
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The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010

	Attributable to equity holders of the parent										Total equity	
	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Retained profits	Treasury shares	Total	Minority interests			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to date ended												
30 June 2010	140,573	586,926	(28,479)	(54,374)	1,068	686,398	(63,309)	1,268,803	590,410	1,859,213		
At 1 July 2009	-	-	-	-	-	194,278	-	194,278	99,278	293,556		
Profit for the period	-	-	(28,765)	-	-	-	-	(28,765)	(5,129)	(33,894)		
Foreign currency translation differences	-	-	-	-	-	(44,467)	-	(44,467)	(44,803)	(89,270)		
Dividend paid	-	-	-	-	-	-	(9)	(9)	-	(9)		
Purchase of treasury shares	-	-	900	-	-	(900)	-	-	-	-		
Transfer to capital reserves	-	-	209	-	-	(209)	-	-	-	-		
Transfer to capital redemption reserves	-	-	-	-	-	-	-	-	-	-		
Change in equity in a subsidiary company	-	-	(1,613)	-	(626)	750	-	(1,489)	(5)	(5)		
Share-based payments	-	-	-	-	-	-	-	-	(1,657)	(3,146)		
At 30 June 2010	140,573	586,926	(57,748)	(54,374)	442	835,850	(63,318)	1,388,351	638,094	2,026,445		

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JUNE 2010 (Cont'd)

	← Attributable to equity holders of the parent →							Total equity			
	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Retained profits	Treasury shares		Total	Minority interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 30 June 2009	140,573	586,926	(45,329)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062	
At 1 July 2008	-	-	-	-	-	75,062	-	75,062	(13,554)	-61,508	
Profit/(loss) for the period	-	-	-	-	-	(26,157)	-	(26,157)	(37,945)	(64,102)	
Dividend paid	-	-	8,975	-	-	-	-	8,975	4,548	13,523	
Foreign currency translation differences	-	-	-	(2,119)	-	-	-	(2,119)	-	(2,119)	
Purchase of trust shares	-	-	-	-	-	-	(7)	(7)	-	(7)	
Purchase of treasury shares	-	-	7,974	-	-	(7,974)	-	-	-	-	
Transfer to capital redemption reserves	-	-	293	-	-	(293)	-	-	-	-	
Transfer to capital reserves	-	-	(948)	-	-	948	-	-	-	-	
Transfer of revaluation reserve on disposal of a property	-	-	-	-	-	-	-	-	-	-	
Issue of shares to minority shareholder by a subsidiary company	-	-	-	-	-	-	-	-	82	82	
Change in equity in a subsidiary company	-	-	-	-	-	-	-	-	(5)	(5)	
Share-based payments	-	-	556	-	(720)	596	-	432	1,839	2,271	
At 30 June 2009	140,573	586,926	(28,479)	(54,374)	1,068	686,398	(63,309)	1,268,803	590,410	1,859,213	

Dividends received by the Executive Share Option Scheme ("ESOS") Trust amounted to RM 1,894,000 (2008/2009: RM 1,115,000) are eliminated against the dividend expense of the Company following the consolidation of ESOS Trust.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED
30 JUNE 2010

	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2010 RM'000	30/06/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	286,924	88,710
Adjustments for:-		
Share of profit of associated companies	(54,256)	(35,866)
Depreciation and amortisation	236,893	263,474
Non cash items	83,884	1,783
Net financing costs	21,334	29,749
Operating profit before changes in working capital	574,779	347,850
Changes in working capital		
Net change in current assets	(168,852)	129,396
Net change in current liabilities	169,725	(64,911)
Taxation paid	(25,671)	(22,939)
Net financing costs paid	(21,334)	(29,749)
Other operating income received	39,705	3,309
Net cash generated from operating activities	568,352	362,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(284,171)	(160,637)
Equity investments	-	49,915
Net cash used in investing activities	(284,171)	(110,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to equity holders of the Company	(44,467)	(26,157)
Dividend paid to minority shareholders of subsidiaries	(44,803)	(37,945)
Net repayment of borrowings	(24,132)	(194,482)
Purchase of treasury shares	(21)	(19)
Purchase of trust shares	-	(2,119)
Net cash used in financing activities	(113,423)	(260,722)
NET CHANGE IN CASH AND CASH EQUIVALENTS	170,758	(8,488)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	261,008	267,975
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,606)	1,521
CASH & CASH EQUIVALENTS AT END OF PERIOD	429,160	261,008
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	30/06/2010 RM'000	30/06/2009 RM'000
Cash and cash equivalents	429,160	261,008

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

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1. Basis of preparation

The interim financial report is unaudited and had been prepared in accordance with Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2009.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2009.

On 1 July 2009, the Group had adopted FRS 8 Operating Segments. The adoption of FRS 8 does not had any financial impact on the financial statements of the Group.

The Group had not applied all the FRSSs, Amendments to FRSSs and IC Interpretations that had been issued by the Malaysian Accounting Standard Board but are not yet effective.

FRS 4, Amendments to IC Interpretations 12,13,14,15 and 18 are not applicable to the Group and hence, no further disclosure is required.

The Group plans to adopt the other FRSSs, Amendments to FRSSs and IC Interpretations for the financial year ending 30 June 2011 and 30 June 2012 respectively.

The financial impact on the financial statements of the Group resulting from the adoption of FRS 7 and FRS 139 upon first adoption of these FRSSs as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* are not disclosed by virtue of the exemptions given in the respective FRSSs.

The first adoption of the other FRSSs, Amendments to FRSSs and IC Interpretations are not expected to have any material financial impact on the financial statements of the Group.

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

There had been no material seasonal or cyclical factors affecting the results of the quarter under review.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the financial year-to-date.

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in the prior financial years.

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6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

- (a) During the quarter under review, the Company bought back 1,000 of its own shares from the open market for a total cash consideration of RM4,300. During the financial year-to-date, the Company bought back 2,000 of its own shares from the open market for a total consideration of RM8,700. The total number of shares bought back as at 30 June 2010 was 8,432,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.
- (b) The Group had previously granted 2,000,000 conditional incentive share options to eligible executives of the Group ("Option Holders") pursuant to the Executive Share Option Scheme of the Company which was established on 23 January 2006 ("ESOS"), subject to the achievement of certain performance criteria over an option performance period ("Options").

At the end of the option performance period, the Option Holders fulfilled the performance criteria and accordingly, 2,000,000 ordinary shares of RM0.50 each in the Company were vested to the Option Holders in the preceding financial year ("Vested Options"). During the preceding financial year, 800,000 Vested Options had lapsed whilst another 800,000 Vested Option lapsed in the preceding quarter ended 31 March 2010. As at 30 June 2010, the balance of the Vested Options stood at 400,000.

There were no share options granted during the quarter under review and financial year-to-date.

- (c) There were no additional shares purchased by the trust set up for the ESOS ("ESOS Trust") during the quarter under review. The total number of shares purchased by the ESOS Trust ("Trust Shares") as at 30 June 2010 was 11,139,800 shares.

There were no issuance of shares, share cancellation, resale of treasury shares nor repayment of debt or equity securities during the quarter under review and financial year-to-date.

7. Dividend paid

The Company has paid the following dividends during the current financial year-to-date:-

	Current year-to-date RM'000
First interim dividend of 7.0 sen per share tax exempt, paid on 21 December 2009	19,090
Second interim dividend of 10.0 sen per share tax exempt, paid on 28 June 2010	27,271
	<u>46,361</u>

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8. Operating Segments

The Group's segmental report for the financial year-to-date is as follows:-

	Semi- conductor RM'000	Consumer products RM'000	Total RM'000
Segment profit	89,496	178,721	268,217
Included in the measure of segment profit are:			
Revenue from external customers	1,386,202	1,483,322	2,869,524
Depreciation and amortisation.	213,669	22,736	236,405

Reconciliation of reportable segment

	RM'000
Profit	
Reportable segment	268,217
Other non- reportable segment	(24,096)
Unallocated income	9,881
Interest income	3,212
Finance costs	(24,546)
Share of profit of associated companies	54,256
Profit before taxation	<u>286,924</u>

	External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment	2,869,524	236,405
Non-reportable segment	2,254	488
Total	<u>2,871,778</u>	<u>236,893</u>

9. Valuations of property, plant and equipment

The valuation of property, plant and equipment had been brought forward without any amendments from the previous annual financial statements.

10. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report.

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11. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations other than as mentioned below:-

- (i) Guocera Holdings Sdn Bhd (“GHSB”), a wholly-owned subsidiary of the Company had, on 26 March 2010, entered into a joint venture (“JV”) contract with Infrastructure Development And Construction Corporation (“LICOGI”) to form a JV company to be known as Guocera Tile Industries (Vietnam) Co., Ltd. (“GTI(V”). Subsequent to the establishment of GTI(V), GTI(V) shall acquire and operate a factory (“Factory”) located in Dong Nai Province, Vietnam, and which is currently involved in the production of porcelain tiles.

The proposed JV is subject to the issuance of an Investment Certificate by the Licensing Authority.

- (ii) The following Company’s subsidiaries had been placed under members’ voluntary liquidation:-

- (a) Hong Leong Maruken Sdn Bhd, a 70% subsidiary;
(b) Varinet Sdn Bhd, a 60% subsidiary;
(c) Guotrade (Malaysia) Sdn Bhd, a wholly-owned subsidiary;
(d) MZ Engineering GmbH, an indirect wholly-owned subsidiary; and
(e) Kilatas Sdn Bhd, an indirect wholly-owned subsidiary.

The liquidations are currently pending completion of legal execution proceedings against debtors and/or tax clearance from the Inland Revenue Board.

12. Contingent liabilities or contingent assets

There are no contingent liabilities or contingent assets as at the date of this report.

13. Review of Performance

For the quarter under review, the Group recorded a revenue and profit after taxation (“PAT”) of RM764.9 million and RM81.8 million respectively as compared with a revenue and PAT of RM621.0 million and RM29.8 million respectively recorded in the corresponding quarter of the preceding year (“FY2009”).

For the financial year-to-date, the Group recorded a revenue and PAT of RM2,871.8 million and RM293.6 million respectively as compared with a revenue and PAT of RM2,679.1 million and RM61.5 million respectively recorded in the corresponding period of FY2009.

The better performance was mainly attributable to the higher revenue recorded by the semiconductor business.

14. Material changes in profit before taxation against the immediate preceding quarter

During the quarter under review, the Group recorded a higher revenue and gross profit as compared with the preceding quarter. The lower profit before taxation as compared with the preceding quarter was mainly due to an impairment recognised on certain equipment of a subsidiary of Malaysian Pacific Industries Berhad (“MPIB”).

15. Prospects

Barring any unforeseen circumstances, the Board expects the Group’s performance to be satisfactory for the financial year ending 30 June 2011.

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16. Profit forecast / profit guaranteed

This note is not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To- Date	Preceding Year Corresponding Period
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Current tax				
Malaysian				
- current year	(1,296)	3,068	27,665	24,462
- prior years	1,596	(1,355)	3,379	(1,327)
Overseas				
- current year	3,536	(115)	3,601	402
- prior years	-	412	-	-
	<u>3,836</u>	<u>2,010</u>	<u>34,645</u>	<u>23,537</u>
Deferred tax				
Malaysian				
- current year	(45,759)	(1,092)	(39,529)	4,972
- prior years	(1,748)	(1,307)	(1,748)	(1,307)
	<u>(47,507)</u>	<u>(2,399)</u>	<u>(41,277)</u>	<u>3,665</u>
	<u>(43,671)</u>	<u>(389)</u>	<u>(6,632)</u>	<u>27,202</u>

The Group's tax income for the quarter under review was mainly due to the reassessment of deferred tax position by a subsidiary of MPIB following a tax incentive granted to the subsidiary.

18. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the quarter under review and financial year-to-date.

19. Quoted securities

(a) There were no purchases or disposals of quoted securities (other than securities in existing subsidiaries and associated companies) for the quarter under review and financial year-to-date.

(b) Particulars of investments in quoted securities as at 30 June 2010:-

	RM'000
Other investment	
At cost	27
At book value	4
At market value	7

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20. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report other than as mentioned below:-

The Company had, on 18 May 2010, announced that the Company proposed to undertake a medium term note ("MTN") programme involving the issuance of up to RM600.0 million nominal value MTNs ("MTN Programme"). The proceeds raised from the MTN Programme will be utilised for investments and working capital purposes. The MTM Programme had been approved by Securities Commission on 28 June 2010.

21. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 June 2010 are as follows:-

	RM'000
(i) Unsecured short term borrowings	387,504
(ii) Unsecured long term borrowings	371,768
	<u>759,272</u>

The above include borrowings denominated in foreign currency as follows:-

USD borrowings	<u>91,366</u>
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22. Financial Instruments with Off Balance Sheet Risk

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The financial instruments with off balance sheet risk as at 17 August 2010 are as follows:-

	Contract amount
	RM'000
Foreign exchange forward contracts	<u>64,033</u>

The above contracts are maturing within a period of 4 months.

There is minimal credit and market risk because the contracts were executed with established financial institutions.

Gains and losses on foreign exchange forward contracts are recognised in the income statements upon realisation.

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23. Changes in Material Litigation

There is no material litigation as at the date of this report.

24. Dividend

(a) The Board does not recommend any final dividend for the financial year ended 30 June 2010 (2009/2010: nil).

(b) For the financial year-to-date, a total dividend of 17.0 sen per share tax exempt had been declared (2009/2010: 10.0 sen per share tax exempt).

25. Earnings Per Ordinary Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the quarter under review is based on the profit attributable to equity holders of the parent of RM50,921,000 (4th quarter 2008/2009: RM28,110,000) and the weighted average number of ordinary shares during the quarter of 261,574,000 (2008/2009: 261,576,000).

The calculation of basic earnings per ordinary share for the financial year-to-date is based on the profit attributable to equity holders of the parent of RM194,278,000 (2009/2010: RM75,062,000) and the weighted average number of ordinary shares during the period of 261,574,000 (2009/2010: 261,600,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2010 '000	30/06/2009 '000	30/06/2010 '000	30/06/2009 '000
Issued ordinary shares at beginning of period	281,145	281,145	281,145	281,145
Treasury shares held at beginning of period	(8,431)	(8,429)	(8,430)	(8,428)
Trust Shares held at beginning of period	(11,140)	(11,140)	(11,140)	(10,611)
	261,574	261,576	261,575	262,106
Effect of purchase of treasury shares	-	-	(1)	(1)
Effect of purchase of Trust Shares	-	-	-	(505)
Weighted average number of ordinary shares (basic)	261,574	261,576	261,574	261,600

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25. Earnings Per Ordinary Share (Cont'd)

Diluted earnings per ordinary share

The Group had no dilution in its earnings per ordinary share in the quarter under review / financial year-to-date and preceding year's corresponding quarter / period as the potential ordinary shares from the exercise of Options would increase the basic earnings per ordinary share.

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
23 August 2010